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SUBJECT: WITH NEW ONE-STOP-SHOP, U.S. BUSINESS OPENS IN DUSHANBE

REF: DUSHANBE 670

DUSHANBE 00000877 001.2 OF 002

¶1. (SBU) Summary: Tajikistan, which consistently ranks near the bottom of most comparative business rankings, with assistance from USAID recently instituted a "one-stop-shop" business registration process. Several days after the law's passage, an American citizen, Sanjeev Sonar, successfully took advantage of the new procedures to open a restaurant in Dushanbe; he is among the first Americans to obtain a business license in Tajikistan. Mr. Sonar's experience with the registration process has been a relatively positive one, indicating that the government's recent reform efforts may be genuine, and bodes well for future entrepreneurs. It should nevertheless be noted that Mr. Sonar has a relatively well-connected local business partner, whose influence may have greased some wheels. End summary.

¶2. (U) On May 21, 2009, the government of Tajikistan passed three new laws explicitly designed to improve the country's ratings on the World Bank's "Doing Business" index. For the past several years, Tajikistan has come in near the bottom of the annual ranking: in the 2009 survey, it placed 159 out of 181 countries, three places lower than its 2008 ranking. One new law eases the process of opening a business by instituting a "one-stop-shop" registration process. A second law enhances the rights of minority shareholders in joint-stock companies. The final law makes closing a business less onerous by reducing the time and fees required to declare bankruptcy. All three laws were developed with technical assistance from USAID, through its Business Environment Improvement project.

¶3. (U) Before the passage of the new business registration law, opening a business in Tajikistan was a lengthy, complicated, and often expensive proposition. Applicants had to visit at least four separate agencies in order to obtain final permission, including the Ministry of Justice to register the entity, the State Statistics Committee to obtain a statistics number, a bank to open an account, the Ministry of Interior to obtain permission to create an official stamp, and the Tax Authority to get a taxpayer identification number. If the prospective business involved more tightly regulated sectors -- e.g., food production, medicine, chemicals, etc. -- obtaining the necessary licenses involved still more steps. Applicants needed to obtain firm permissions at each step of the way, otherwise their businesses were not registered. Due to the complicated regulations, a lack of government capacity, and Tajikistan's endemic corruption, the process often took longer than two months and required 10 separate documents. It could be

expedited, but this generally required bribing officials.

¶4. (U) At least on paper, the new law represents a radical departure from the status quo. Applicants now need only present themselves at the Tax Authority, which then shepherds the registration process through the other agencies. The cost has been reduced as well from \$500 -- which included unofficial payments -- to \$150 due to reduced contact with officials. Perhaps most importantly, it changes the onus of registration to the government: a lack of response within five days of submitting an application is considered approval.

¶5. (U) U.S. citizen Sanjeev Sonar recently opened the restaurant "Anahita" near central Dushanbe. He said that he and his local business partner initially tried to register their business at the Tax Authority several months ago but were advised by officials there to wait until the new law was promulgated. "You're welcome to go to the Ministry of Justice and see what happens," they said, "but good luck." Mr. Sonar took their advice and returned to the Committee in early July, just days after the new law went into effect. He obtained his registration nine days later. The only difficulty -- and the reason the registration took four days longer than it should have -- occurred when the computer program required Mr. Sonar to list his Tajik taxpayer identification number. A foreign citizen, Mr. Sonar has no such number and is exempt from the requirement. He said that it took a couple days, and the intervention of his Tajik business partner, but the program was ultimately revised to provide the registration without this entry. Mr. Sonar also noted that he had to pay a visit to the Ministry of Interior to obtain permission to make an official stamp, a step ostensibly eliminated by the new law, but he was not charged for this.

DUSHANBE 00000877 002.2 OF 002

¶6. (SBU) Comment: There have been some concerns that the recently passed business reforms were more window-dressing than actual substance. The country has been reeling from the financial crisis, with exports, imports, and the remittances many Tajiks survive on down significantly compared to last year. The government is facing a double-digit budget shortfall, and has been looking for ways to close that gap, including approaching donors for funding (reftel). The three new laws, along with numerous other reforms in various states of development, might be an easy way to appease potential donors. Even if the government's intentions are sincere, a continued lack of government capacity, especially in the regions outside of Dushanbe, combined with an entrenched culture of corruption, could hamper the effectiveness of the new laws.

¶7. (SBU) Comment, continued: If Mr. Sonar's experience is anything to go by, the new single window may be more effective than many had hoped. Apart from the computer glitch, the process was relatively straightforward and trouble free. This does not mean, however, that Tajikistan's business climate has suddenly become hospitable. Mr. Sonar noted that in attempting to import some dishes and specialized kitchen equipment from India, customs officials asked him to pay fees totaling fully 100% of the purchase price and transport costs of the goods. It took the intervention of his well-connected local business partner to negotiate these fees down to a more reasonable 25%.  
End comment.  
JACOBSON